

19 May 2020

REDDE NORTHGATE PLC
("Redde Northgate" or the "Group" or the "Company")

Pre-close Trading Update

Redde Northgate plc (LSE:REDD), the integrated mobility solutions provider, today announces its pre-close trading update for the year ended 30 April 2020.

Group trading

As stated in our announcement of 24 March 2020, up until the end of February, trading for the Group was in line with market expectations for the financial year. However, as previously announced, there was an impact from Covid-19 on trading in March and April, and the Group has suspended all forward guidance until the impacts of Covid-19 on the business become clearer.

Based on unaudited results, Redde Northgate can report that revenues from the Northgate business were 4% lower than the prior year, including the impact of Covid-19 in March and April. Total Group revenues were 5% higher than the prior year, with the increase year on year attributable to Redde's performance, which is included in Group trading following completion of the merger on 21 February 2020.

Further, up until the end of February, underlying Group PBT margin was in line with Board expectations. However, in March and April underlying Group PBT margin was lower, affected by the aggregate impact of reductions in trading volumes, flexible support schemes provided to customers (detailed below) and cost actions implemented.

Covid-19 update

As announced on 24 March 2020, the Board took decisive actions to put measures in place to protect the welfare of our employees and to mitigate the financial impact of Covid-19 on the Group.

In detail, these actions included implementing new guidelines and controls to enable employees to work with social distancing in branches and offices; furloughing employees across all areas of the business as necessary; limiting capital expenditure on new fleet purchasing for essential requirements only; using nearly new vehicles to stand in for new purchases where suitable; voluntary pay reductions across the Board, senior leadership team and managers; other cost control measures, including a freeze on recruitment and pay reviews, and limiting of all non-essential spend and capital expenditure projects.

The Group also announced on 24 March, that it was providing flexibility to its rental customers to support them through these difficult times. Our Covid-19 package of support, assessed on an individual basis, has helped many customers retain rental vehicles during the current Covid-19 uncertainty on terms that meet their needs. Whilst in place, the impact of this scheme on Group rental revenue is approximately £3-4m per month.

Further, a proportion of the Redde fleet of cars has been deployed to support an NHS and key worker replacement vehicle scheme launched by a long-standing insurer partner. These support measures are our way of contributing to the national effort and of strengthening our bond with

customers and business partners at a time when most needed, and we look forward to continuing to support them in the future.

However, not all customers could justify continuing with all their rental vehicles and have naturally made some returns in these circumstances. The impact of this was reduced as the Northgate businesses also provided a number of additional vehicles to support supermarkets, pharmaceutical companies and other essential businesses to deal with their increased demand. The net number of vehicles returned to branches from lockdown up until the end of April was 6% in UK&I and 7% in Spain. These have been processed and largely held on the fleet pending a final decision as to whether any fleet is excess to future rental demand and should be disposed of. The disposal market has mainly been closed during lockdown, which has reduced revenue from vehicle sales and disposal profits. Disposal channels are starting to re-open as lockdown restrictions are eased.

Within the Redde businesses, revenues also reduced, as lockdown resulted in accident and incident volumes declining steeply as a consequence of fewer vehicles on the roads and a reduction in road miles driven. Volumes of accidents and incidents have remained low during April, but we would expect these to increase as traffic volumes increase.

Net debt and headroom

Since the announcement on 24 March, the Group has generated further headroom to its bank facilities, as a result of the cash and cost measures put in place, increasing the available headroom from £200m at the end of February to £234m as at the end of April. The Group continues to operate with considerable flexibility within its banking covenants.

It is still too early to make any precise assessment as to the ongoing revenue, earnings and cash impacts Covid-19 will have on the Group. However, we have undertaken detailed modelling of various scenarios and are using a base case and downside set of assumptions to scenario plan outcomes which are evolving and updated regularly. The current base case assumptions include lockdown continuing during May and a slow easing of restrictions over the following two months, then a gradual return to a more normalised trading environment by the end of the financial year, whilst the current downside assumptions include two more months of lockdown to end of July and a slow easing of restrictions over the following three months, then a gradual return to a more normalised trading environment over a longer period. Based on the analysis of the base case and downside case scenarios, we do not anticipate having to secure any additional funding requirements for Covid-19 purposes.

Integration

As stated on 24 March, integration plans have started well. Despite Covid-19, excellent progress has been made in integrating the businesses, and we have had a very positive start to the delivery of the run rate cost synergy targets as per the Circular dated 12 December 2019, as well as identifying new synergies and cost savings. The Group looks forward to providing an update on the run rate of savings in its preliminary results announcement.

In delivering these synergy benefits, the organisational structure of the Company has been re-shaped to make it more effective as an enlarged business. A new Group management team has been appointed for the UK & Ireland business and the experienced Northgate Spain leadership team has been retained. Support functions such as HR, IT, fleet and finance are now successfully combined across the Group in UK&I with enhanced representation on the management board.

Results and dividend

The Group is planning to announce its preliminary results on 16 September 2020 and publish its Annual Financial Report shortly thereafter. The Group sees this delay from its normal reporting timetable as a prudent and practical measure which is in line with the Temporary Relief Statement announced by the FCA on 26 March 2020, to allow sufficient preparation time following the disruption caused by Covid-19.

The Board is aware of the importance of dividends to its shareholders and, after careful consideration of the factors impacting this decision, will provide a further update at the time of the preliminary announcement of results.

Commenting on the trading update, Martin Ward, CEO Redde Northgate said:

“I continue to be impressed by the effort of our colleagues who are committed to doing what is necessary, without fuss, in these difficult times. They have shown a sense of community and togetherness in supporting our customer and partner organisations with their mobility requirements during the extended lockdown period, with many making personal sacrifices to support the Group’s efforts.

Our liquidity position has grown over the last two months and the business model has proven to be resilient during these times. Inevitably, there is going to be an impact from Covid-19 on revenues and earnings and considerable uncertainty remains. However, it should not detract from the purpose that we have to build on our integrated mobility proposition as an enlarged group and drive opportunities wherever possible. For now, we are doing what is necessary to preserve cash, protect our financial position and to secure a long-term future for all our stakeholders.”

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Notes to Editors:

Redde Northgate plc is a leading integrated mobility solutions platform formed in February 2020 following the all-share merger of light commercial hire business Northgate plc and Redde plc, the provider of incident and accident management, legal and other mobility-related services.

The Group provides mobility solutions and automotive services to a wide range of businesses and customers spanning the vehicle life cycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale or salvage.

With an extensive network and diversified fleet of over 110,000 owned vehicles and over 400,000 managed vehicles in more than 100 branches across the UK, Ireland and Spain, the Group aims to utilise its scale, reach and comprehensive suite of integrated services to offer a market-leading customer proposition and drive enhanced returns for shareholders.

Further information regarding Redde Northgate plc can be found on the Company’s website:

www.reddenorthgate.co.uk